

Problem/At-Risk (PAR) Property Study
Dayton's Bluff Neighborhood
St. Paul, Minnesota

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Neighborhood Planning for Community Revitalization (NPCR)

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1. Introduction

The factors that influence neighborhood quality and stability include housing quality, economic activity, cohesion of residents, quality of public schools and public services, amount of open spaces, traffic volume and noise to name a few. Of these factors, the housing stock is the most visible feature. When the majority of an area's housing is in a state of disrepair, it causes the residents to lose confidence in their neighborhood. This in turn causes residents to either move out of the neighborhood or produces a lack of willingness for property owners to maintain and/or repair their own homes. As such, the rehabilitation of the housing stock is a major focus of neighborhood revitalization.

The median property value of an area is often a good indicator of the area's overall quality. The market value of an individual house is not only a function of the quality of the specific house and the related neighborhood amenities, but it is also a function of the houses in close proximity. If a house is surrounded by other houses that are in dilapidated or deteriorated conditions, there is little financial motivation for a homeowner to engage in repairs and sometimes even, basic maintenance. This is especially true in inner-city neighborhoods and often local neighborhood housing services are charged with providing financial incentives to homeowners to stimulate basic maintenance and rehabilitation of their properties. While there is the obvious need to stem the potential decline of those properties in good condition, there is also a great need to rehabilitate those properties that are in the worst condition.

2. Purpose

Dayton's Bluff, like many inner-city neighborhoods, has experienced significant disinvestment over the past few decades. Given the age of the housing stock, the changing demographics and its position in the regional housing market, the quality of housing is in a steady decline. The local non-profit agency responsible for much of the rehabilitation in the area since 1980 is Dayton's Bluff Neighborhood Housing Services (DBNHS). From a 1996 report, "Exterior Housing Conditions", it was estimated that the cost to repair all the houses in Dayton's Bluff to sound condition would near the 57 million mark. Therefore, the main objective of this report is to examine the housing stock and suggest alternative strategies that will be effective in encouraging those property owners of the worst properties to improve their properties to sound condition. Following is a brief description of the overall methodology of this study.

3. Method

A. General Overview

This study analyzes those houses in Dayton’s Bluff that are in the worst condition, those labeled “red, blue or black” by the 1996 “Exterior Conditions Survey”. (Refer to Map 2 of 3) These properties are given the name “problem/at-risk” (PAR) properties and will from here forward be referred to by their acronym “PAR” properties. A broad overview of the steps involved in this analysis follows:

- From a 1996 report, “Exterior Conditions Survey”¹, all residential properties were identified, compiled into a database and used as the base information.² The general characteristics, such as housing types (single-family, duplex, etc.) and occupancy status, were obtained from Ramsey County assessor’s data and analyzed.
- Those properties in the worst three categories (the PAR properties) – in need of moderate rehabilitation (red), in need of major rehabilitation (blue) and deteriorated (black) – were identified, analyzed and compared to the whole set of properties.
- A random sample of 100 PAR properties were selected to analyze in more depth. Information relating to police calls, tax delinquencies, building code violations and water shut-offs were examined.
- An informal phone survey was conducted.
- The programs implemented by DBNHS were reviewed.
- The local context of redevelopment within the political landscape of the City of St. Paul was explored.
- Research was conducted into local strategies and initiatives used in other areas to combat problem properties.

B. Limitations

Given that the base information is from an exterior conditions survey from 1996, some of the conditions may be incorrect. That is, specific houses may have either been improved or deteriorated even further since that time. In addition, the overall quality of the housing stock is reasoned to have declined since 1996 as it is assumed that rehabilitation efforts have not kept pace with further deterioration. So any analysis based on this information presents a picture that is perhaps overly optimistic.

¹ see *Appendix A-1* for a description of this survey.

² Note that the conditions of certain properties in the compiled database may differ slightly from the hand-rendered map of the “1996 Exterior Conditions Survey”. This is due to the fact, that a few of the properties were spot-checked for various reasons to verify the accuracy of their condition code. In some cases, their condition was changed in the database to reflect the current condition. Due to time constraints, we were not able to verify many of the properties.

In addition, the county assessor’s data cannot be relied on for strict accuracy. Much of the information, including information on assessed value of a property, may be outdated as properties are generally only required to have an actual on-site assessment every 10 years. However, since most of the data was examined at an aggregate level, the impact of these potential discrete inaccuracies does not drastically affect the subsequent conclusions drawn. They are noted only to warn against drawing conclusions based on information on specific properties in the data set.

Another problem of the methodology is that when examining the properties in depth, it would have been most insightful to have a sample that included *all* housing conditions. More comparative conclusions could be drawn if there were the “good” quality houses included to compare to the “worst” quality houses. As this analysis was conducted, the PAR sample consisted of only those houses in the worst conditions – red, blue or black (see below in *Table 3.1*) and was not compared to those of good quality.

C. Encoding of Information

Following are tables that define the various codes and terms that are used in examining the housing data contained in this report. The condition codes are directly from the “1996 Exterior Conditions Report” (refer to Map 1 of 3):

Table 3-1. Condition Codes

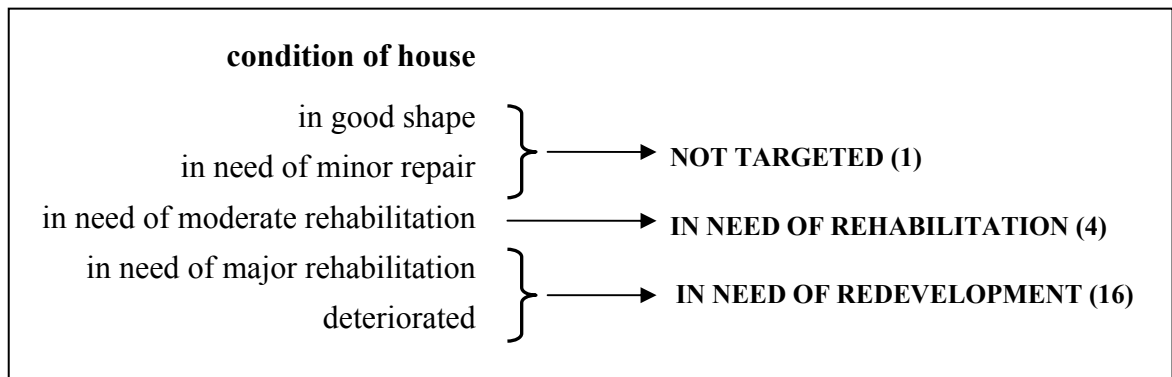
condition of house	color code	number
in good shape	YELLOW	1
in need of minor repair	ORANGE	2
in need of moderate rehabilitation	RED	3
in need of major rehabilitation	BLUE	4
deteriorated	BLACK	5

In an attempt to translate the condition codes to the various physical intervention strategies that are appropriate to each property condition type, all (5) condition codes – yellow, orange, red, blue & black – were converted into (3) distinct physical intervention categories. These new categories are assigned weights (#) that are meant to represent the deleterious effects that a house in that condition has on those properties in close

proximity. These weights will be used later in this report to calculate what is called the average weighted condition and to calculate a block quality index (BQI).

Since the first two categories – in good shape and in need of minor repair – are typically not the primary properties targeted for rehabilitation and are not the object of this study, they convert to “**not targeted**” and are given a weight of **(1)**. The next category – in need of moderate rehabilitation – is converted to “**in need of rehabilitation**” and given a weight of **(4)**. The last two categories – in need of major rehabilitation and deteriorated – are converted to “**in need of redevelopment**” and given a weight of **(16)**. The reason that those properties – in need of major rehabilitation – were classified as “in need of redevelopment” is that according to Jim Erchul, the Executive Director of DBNHS, it is not financially feasible to rehabilitate these houses. The cost that it would take to rehab them to sound condition would significantly outweigh the increase in market value after rehabilitation. Therefore, the most cost effective method for renovation of the ‘blue’ properties is to replace these houses with new ones.

Figure 3-2. Conditions Converted to Physical Intervention Strategy



Dayton’s Bluff is somewhat arbitrarily divided into 6 sub-areas. While the dividing lines may not be particularly meaningful in and of themselves, they are helpful in referring to the geographic quadrants of Dayton’s Bluff. The figure at the right is a visual aid to help remember which sub-area refers to which geographic quadrant. This report references the sub-areas as a means of targeting those areas with the greatest need of physical intervention.

Table 3-3. Sub-Areas

Sub-Area (SA)	Quadrant
1	Northwestern
2	Northeastern
3	East-Central
4	Southern
5	West-Central
6	Central

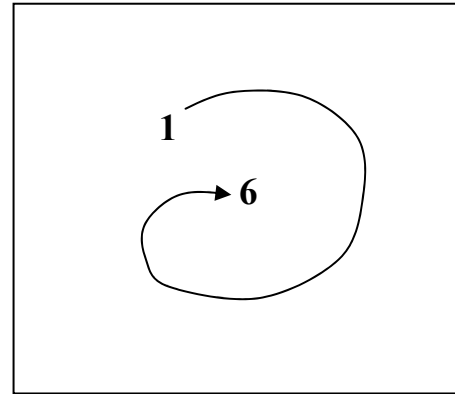


Figure 3.4: Sub-Areas Visualized

4. Dayton's Bluff Neighborhood

Dayton's Bluff is the most picturesque and beautiful district of the city. Sloping back from the river bluff for nearly a mile, it commands from every point a wider and finer prospect of the city and the Mississippi valley than any other portion of the city east of the Mississippi. - St. Paul Pioneer Press, January 1, 1887

Well into this century, the Dayton's Bluff neighborhood was considered one of the premier neighborhoods of St. Paul. Located to the east of downtown St. Paul³, this once thriving neighborhood has suffered a fate similar to other inner-city neighborhoods throughout the United States. Beginning in the 60's, with the massive 'white-flight' from urban areas to the suburbs along with significant disinvestment, the physical infrastructure of Dayton's Bluff began to decline.

There is a growing diversity of residents in Dayton's Bluff. As seen in Census trends from 1980 – 1990 and from interviews with community representatives, an increasing number of Hmong and African-Americans are making Dayton's Bluff their home. In addition, many persons who live in the area are lower-income, as Dayton's Bluff is one of the last places in the St. Paul area that offers 'affordable' housing. Affordable, that is relative to the regional market, which for many residents of the Dayton's Bluff area may not qualify as affordable relative to their income.

³ The physical boundaries of this study are Johnson Parkway to the East, Mounds Boulevard to the South, and the BN Railroad Tracks to the Northwest. This is the area that DBNHS services. While the area to the east of Johnson Parkway is considered Dayton's Bluff, it is not included in their service area because the housing on that side of Johnson is well-maintained and the residents are not in need of financial incentives to maintain and rehabilitate.

This is one potential reason as to why homeowners (as opposed to landlords) are not maintaining or rehabilitating their homes – lack of money. Unfortunately, this type of situation is out of the hands of DBNHS, as the ‘free’ money or grant money that they disperse is in the form of a matching grants. If homeowners do not have the money to invest in their homes to begin with, they will not have the money required for a matching grant.

A. *General Housing Characteristics*⁴

The vast majority of the housing stock consists of single-family homes and duplexes with very few large apartment buildings. (Refer to *Figure 4-1*) There are 3,487 residential properties in Dayton’s Bluff with 4,583 units available housing units⁵. The area as a whole is comprised of 62.5% owner-occupied units and 37.5% rental units. (Refer to *Table 4-2*)

The rental occupancy rate varies drastically depending on the area of Dayton’s Bluff that is being examined. For example, the southwest area of Dayton’s Bluff (sub-area 5), which is home to the city-recognized historic district and the Dayton’s Bluff Elementary School, has a much higher rental occupancy rate with almost 60% rental units. This area is also home to the most deteriorated housing conditions, which corresponds to a high rental occupancy rate. (Refer to *Appendix A-2* for a complete description of housing by sub-area)

Figure 4-1. Housing Types: All Properties

⁴ The information in this section from Ramsey County Assessor’s Data, unless otherwise noted.

⁵ Note the distinction between properties and units. Since a single property might consist of more than one unit, in inner-city neighborhoods with larger rental markets, it is common for the number of units to be significantly greater than the number of properties. This distinction will be made throughout the report.

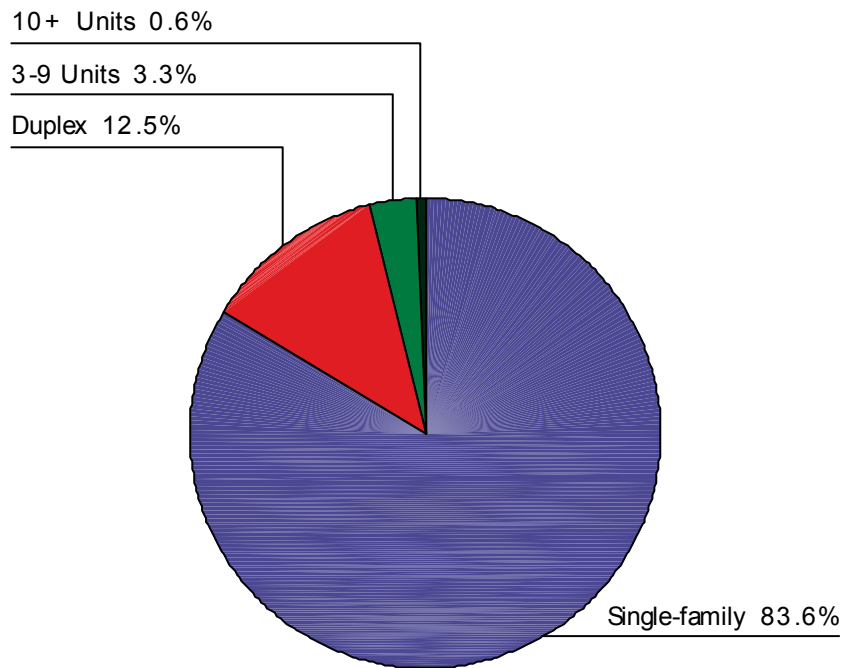
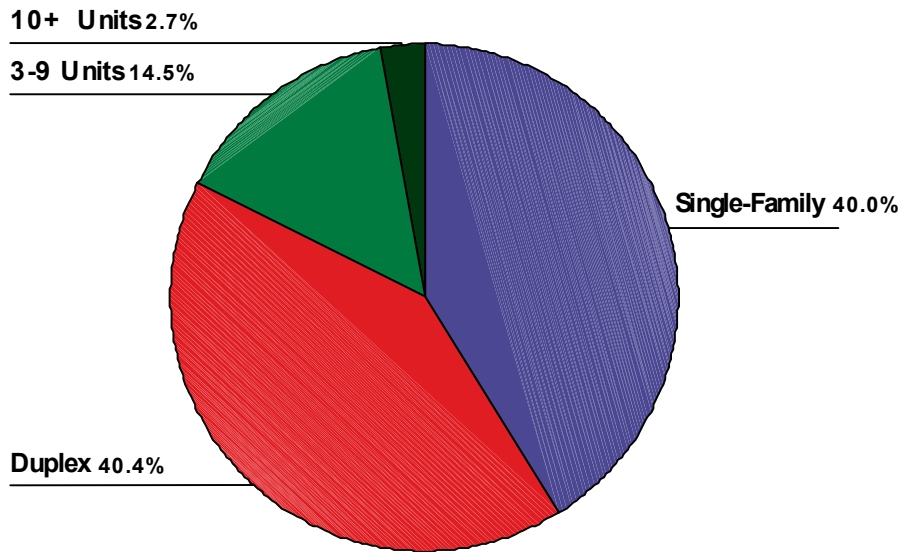


Table 4-2. Frequency and Occupancy Status: All Properties

property type	# of properties	total # of units per property type	avg # of units per property	# of units in occupancy status	rates of occupancy
Owner-Occupied	2,865	3,127	1.09	2,864	62.5%
Rental	622	1,456	2.34	1,719	37.5%
Totals	3,487	4,583	1.31	4,945	100.0%

Another important fact to mention is that over 80% of all the rental properties in Dayton's Bluff are single-family or duplex properties. (Refer to Figure 4-3 below) Given that most of the rental properties in Dayton's Bluff are single-family homes or duplexes, these rental properties are typically not controlled by large management corporations. Rather, they are owned by private individuals. In addition, they are not required to be registered as rental property with the city through the Certificate of Occupancy program. Only those rental properties with 3+ units must apply for a Certificate of Occupancy.

Figure 4-3. Housing Types: Rental Properties⁶



In addition, it should be noted that the capacity for any new development in Dayton's Bluff is limited. Short of demolishing existing structures, there are a total of 12 parcels that are available for new development. Of these, 6 are scattered throughout the area and the other 6 are contiguous parcels.⁷

⁶ Does not add to 100%; 2.4% of the values missing from the data set.

⁷ Source: Jim Erchul, DBNHS.

One of the most visible signs of physical decline in the Dayton's Bluff neighborhood is the condition of the housing stock. Following is a break-down of the housing conditions in Dayton's Bluff from the "1996 Exterior Conditions Survey".

Table 4-4. Housing Conditions

condition of house	color code	percentage
in good shape	YELLOW	36.9%
in need of minor repair	ORANGE	41.3%
in need of moderate rehabilitation	RED	16.7%
in need of major rehabilitation	BLUE	5.0%
deteriorated	BLACK	less than 0.1%

As of 1996, over 60% of the housing stock in Dayton's Bluff was in need of some degree of physical intervention. Furthermore, it is assumed the rehab done since this time has not kept pace with natural rate of deterioration, such that the housing conditions are most likely worse than this 1996 snapshot. Using the best method available⁸, it is estimated that the median market value of a house in Dayton's Bluff is \$69,000 compared to the median housing value in St. Paul of \$92,000⁹. By property type, the median value of owner-occupied properties is \$69,700 while for rental properties it is \$61,100.

An overview of the housing stock shows that 50% of the housing was built before 1902, with 90% being built before 1928 (see *Table 4.4* below). This puts the vast majority of the housing at 70+ years old, with half being almost 100+ years old. Not only does this attest to the historical nature of the Dayton's Bluff area, but it also points to the fact that much of the housing stock is deteriorating due to the age of the physical structure. Notice the correlation between the housing condition and the year in which the majority of the

⁸ Using an MLS report, the sales price was compared to the assessed value of 36 houses. These numbers were then calculated into an average percent increase and applied to the assessed values of all the houses in Dayton's Bluff.

⁹ St. Paul Pioneer Press, *Figures Show Home Prices Increasing*, February 22, 1999.

houses were built. For those houses in deteriorated condition (black), 90% of the houses were built before 1900. In contrast, 90% of those houses in good condition were built before 1957. A difference of close to 50 years.

Table 4-5. Year Houses Built by Condition

condition	50% of houses built prior to	75% of houses built prior to	90% of houses built prior to
yellow	1911	1925	1957
orange	1904	1914	1926
red	1899	1910	1917
blue	1889	1900	1909
black	1884	1892	1900
all houses	1902	1915	1928

As a final description of the housing stock, an independent samples test by occupancy status was conducted to see if there was a correlation between occupancy status and the property condition, the median value per unit and the year built. (See *Appendix A-3* to see numerical results) The results were:

- rental properties are more likely to be in worse condition than owner-occupied properties,
- rental properties have lower market values and,
- rental properties are more likely to be older structures.

5. PAR (problem/at-risk) Property Characteristics

Table 5-1. Representation of PAR Properties in each SA/Condition Category

CONDITION	SA1	SA2	SA3	SA4	SA5	SA6	total
RED	45 8%	149 26%	41 7%	46 8%	86 15%	216 37%	583 16.7%
BLU	14 8%	26 15%	4 2%	7 4%	57 33%	66 38%	174 5.0%
BLK	0 0%	2 10%	0 0%	1 5%	3 14%	15 71%	21 <0.1%
total # of PAR houses % of PAR houses in each SA	59 59%	177 28%	45 7%	54 10%	146 34%	297 27%	778 21%
total # of houses representation of total houses	100 3%	638 15%	685 22%	551 15%	428 10%	1085 35%	3487 100%
representation of PAR houses	8%	23%	6%	7%	19%	38%	100%

The object of this study is to investigate the characteristics of those properties in the worst condition as identified by the “1996 Exterior Conditions Survey”: “red” – in need of moderate rehabilitation; “blue” – in need of major rehabilitation; and “black” – deteriorated. As noted below in *Table 5-1*, these properties represent approximately 22% or 778 houses in the Dayton’s Bluff neighborhood. (Refer to *Appendix A-4* for a more specific breakdown of the numbers)

Table 5-1. Frequency and Occupancy Status: PAR Properties

Condition	Number of Properties	Owner-Occupied	Rental
RED	583	49.2%	50.8%
BLUE	174	30.6%	69.4%
BLACK	21	30.8%	69.2%
Total	778	43.7%	56.3%
% of All Properties	21.7%		

Note that while the overall Dayton's Bluff neighborhood has a rental occupancy rate of 37.5% (see *Table 4-2*), the PAR units have an overall rental occupancy rate of 56.3%, which is significantly higher. By property type, properties that are strictly rental properties with absentee landlords account for 17.8% of all properties in Dayton's Bluff; for PAR properties, this number nearly doubles to 33.2%. Consistent with the whole neighborhood – 80% of all PAR rental properties are single-family residences or duplexes.

6. **PAR Study – random sample**

For this part of the study, 100 PAR properties were randomly selected to investigate further. Descriptive statistics were calculated to ensure this sample was representative of the whole. A telephone survey was conducted and the following data was gathered:

- number of code violations per property (St. Paul Code Enforcement Office)
- number of forced water shut-offs per property (St. Paul Water Utility)
- number of tax delinquencies per property (Ramsey County Assessor's Office)
- number of police calls per unit (St. Paul F.O.R.C.E. Unit)

All data was collected for the time period from the beginning of 1998 to the present. Statistical analyses was conducted to see if there was a relationship between the above variables and the condition of the property and if there was a difference in the rate of occurrence of each by property type, either rental or owner-occupied.

Out of the 100 properties, a total of 53 phone numbers were available. These were divided between owner-occupied properties and rental properties, as the questions for each were somewhat different. (Refer to *Appendices A-6* and *A-7* for the actual phone surveys) The owners of the properties were phoned. The following table details the number of responses for each property type.

Table 6.1. Phone Survey Response Rates

property type	number of properties	available numbers	number responded
owner-occupied	66	31	12
rental	34	22	5

Given the low number of responses, the results of this survey are not necessarily statistically representative, however they are helpful in gaining some initial information. The main points of interest that were revealed through the survey are as follows:

- The average length of ownership for all property types is 18 years. For owner-occupied properties, it is 23 years and for rental properties, it is 6 years.
- No one self-evaluated their property as in poor condition. Given the categories, good-avg-poor, 65% of the respondents thought their house was in good condition, while 35% thought their house was in average condition.
- One third of the owner-occupied properties are paid-in-full, half of the properties have traditional mortgages and the remainder are contract for deed. None of the rental properties were paid-in-full.
- There were 2 contract for deeds out of the 12 owner-occupied properties. There were 3 contract for deeds out of the 5 rental properties, 2 of which were sold by a private seller to small property management companies – Rose Bear Properties and Hessler Properties. This results in a total of 29% of the properties surveyed were in contract for deed status.
- 59% of those asked were *not* aware of DBNHS and the services provided. For owner-occupied property owners the percentage was 67% and for rental property owners the percentage was 40%.
- 67% of the owner-occupied property owners requested additional information regarding Dayton’s Bluff Neighborhood Housing Services and its programs, while none of the rental property owners requested additional information on DBNHS, the City’s Rental Rehab Program or the Landlord Training Program.

The results from the statistical analyses of the 4 variables - number of code violations per property, number of forced water shut-offs per property, number of tax delinquencies per property and number of police calls per unit – are as follows (refer to *Appendix A-5*):

- none of these variables were significantly correlated to the property condition.¹⁰
- rental properties are significantly more likely to have more police calls per unit and,
- rental properties are also more likely to have a greater number of code violations.

7. The Housing Market in the Regional Context

What happens in the regional housing market has an effect locally on Dayton’s Bluff. The shortage of rental housing in the region has had a significant impact on Dayton’s Bluff.

According to Kathy Lantry, the local St. Paul Council Member, the vacancy rate in Dayton’s

¹⁰ Note that this data was only collected for the red, blue and black properties. Had the sample included all properties – yellow and orange included – then, correlations may have existed. For future studies, it is recommended that a sample be representative of the entire spectrum of housing types, not only the worst ones.

Bluff has slowly caught up to the regional vacancy rate of $\approx 1\%$. Given the deteriorating housing stock and the disinvestment in the area, it is not an area of first choice for most people. The low rents relative to the rest of the City, the convenient location to downtown and access to public transportation, makes Dayton's Bluff an attractive area to many lower-income households.

Despite the continuing deterioration of the housing stock in Dayton's Bluff, property values are rising as a result of the strong regional housing market. This phenomena of deteriorating housing with rising property values is contrary to logic. One would reasonably assume that as housing deteriorates, the property value would naturally decrease. This assumption holds in a housing market with a healthy vacancy rate of $5\% - 8\%$. However, when the vacancy rate decreases to its current rate of approximately 1% , the market no longer functions efficiently. This creates a market of low supply and high demand, which has the result of pushing prices higher than the natural equilibrium. This has specific effects on the rental market and lower-income households.

As stated in the previous section, a low vacancy rate creates a market where there is no incentive for property owners to improve their properties. This especially holds true for landlords, who are in the business of maximizing profits. Landlords are able to raise the rents, such that there is no direct correlation between the rent charged for an apartment and the quality of that apartment.

Due to previously discussed effects of a low vacancy rate and since a relatively high portion of housing units in Dayton's Bluff are rental units there is reason to believe that this portion of the housing, the rental housing, may suffer an even more rapid deterioration than has occurred in recent years. Therefore, it is critical that strategies are developed to encourage this sector to improve and maintain their properties.

8. Scope Of DBNHS Activities¹¹

Given the sharp decline in deep federal subsidies, CDC project funding comes from various sources – government agencies, intermediaries, foundations, banks and other private entities. As a result, 'creative' funding strategies are employed and any one project may draw from various funds. This is true of DBNHS, as well. In 1998, the total investment into physical

¹¹ Information taken from DBNHS – 1998 Annual Report

redevelopment was \$4,510,331 with approximately 2 million of this coming from private sources, approximately 1 million from the DBNHS revolving loan fund and the remainder, \$2.5 million, coming from various federal, state and local sources, including Community Development Block Grants (CDBG), Minnesota Housing Finance Agency (MHFA) funds and Houses to HOMES funds.

As noted earlier, the total assessed need for rehab in 1996 for the Dayton's Bluff area was close to \$57,000,000. This number is staggering and as is the case with most CDCs, the scale of DBNHS is not great enough to keep up with the level of need. As a result of not being able to meet the demand of the area, DBNHS advertises to the level of need that they are capable of supporting, given their limited resources. In other words, they consciously attempt to limit the demand of their services to match their ability to supply, through limiting their advertising campaigns.

The range of projects currently funded through DBNHS are as follows:

- **Homeownership Promotion** – entry cost and down payment assistance, market rate and reduced rate financing for purchase and purchase with rehab for owner occupants.
- **Rehab and Repair** – Low interest and deferred payment loans for repairs to owner-occupied homes.
- **New Construction** – construction and sale of scattered site new single family homes.
- **Houses to Homes** – purchase and rehab of vacant houses for sale to new homeowners.
- **Economic Development** – financing and planning assistance for improvements to commercial structures.

From the above list, one can see that all resources for residential properties are directed towards home-owners. The rationale is that home-ownership is a much more stable form of tenure than rental properties and particularly in distressed neighborhoods, it is critical to promote home-ownership. At one point, DBNHS did have money allocated for rental property rehab, but it was underutilized and the funds were eventually transferred into a home-ownership program. More research is necessary to determine why the funds were not in demand. However, a possible reason is the strong housing market. As said earlier, in a strong housing market there is little incentive for property owners, especially landlords to improve their property. (Refer to Section 7) As the housing market stabilizes and returns to a healthy vacancy rate of 5% - 8%, there may be increased demand for rental rehab programs.

In addition to home-ownership requirements, there are also income limits placed on the potential recipients. The majority of programs follow limits equivalent to 80% of the regional median income, for a family of four this would be \$45,300.

In 1998, DBNHS improved a total of 171 units:

Homes built/rehabbed	10	
Homebuyers assisted	26	
	Housing units rehabbed	45
Housing units inspected	82	
	Commercial units rehabbed	8

Of these, 135 properties were represented and can be broken down according to initial condition type as identified in the 1996 Exterior Conditions Survey:

Table 8-1. DBNHS Investment by Condition

condition	# of properties	percentage
YELLOW	63	46.67%
ORANGE	59	43.70%
RED	8	5.93%
BLUE	4	2.96%
BLACK	1	0.74%

As can be seen, close to 90% of the properties that DBNHS invested in were identified in 1996 as being in good condition or in need of minor repair, while only 10% were in the problem/at-risk (PAR) category. Given that only 13 PAR properties (out of a total of 135) were recipients of DBNHS program funding seems to indicate that a more focused effort is necessary to target those houses in Dayton's Bluff that are in the worst condition.

9. St. Paul Housing Policies

The City of St. Paul currently requires all rental properties with 3+ units to be registered with the city through the Certificate of Occupancy program. These properties are inspected by the Fire Department every 2 years for basic compliance of health and safety codes. The Certificate of

Occupancy system is complaint-based, meaning that any possible code violations must be called into the Code Enforcement office.

Based on the sample survey of 100 PAR properties, the majority of the code violations are exterior violations, such as excessive garbage or tall grass, and are anonymously reported. As stated earlier, this mandatory certificate program does not extend to many of the rental properties in Dayton's Bluff, as $\approx 80\%$ of these properties are single-family and duplexes. However, there is movement in St. Paul to require a similar certificate for single-family and duplex rental properties. Initially, all of these properties would pay a fee and automatically receive certification. There would be no initial inspection. Inspections would be conducted only on a complaint basis. While this type of program may help the rental housing in Dayton's Bluff to comply with the minimum health and safety standards, it certainly will not dramatically affect the overall housing quality. Especially since it is a complaint driven system, there is concern that many residents do not complain for fear of retaliation from the landlord in the form of increased rents or unlawful detainers. In a tight housing market, this concern is magnified.

Eminent domain is a possible form of city intervention that could aid in rehabilitation of the housing stock. If a house is in deteriorated condition and there is a plan for redevelopment, the city could come in and 'take' the property. This is unlikely to occur as the legal fees involved in such a policy are quite high.

10. Significant Findings

To determine the total need for physical intervention for the PAR properties, the Condition Codes were collapsed from (5) categories to (3) categories. (Note: the numbers behind the final categories are the relative weight of each property type used to calculate the 'average weighted condition' in *Appendix A-2* and the 'block quality index' below.)

YELLOW	in good shape	}	—————→	IN GOOD SHAPE (1)
ORANGE	in need of minor repair			
RED	in need of moderate rehab	—————→		IN NEED OF REHABILITATION (4)
BLUE	in need of	}	—————→	IN NEED OF REDEVELOPMENT (16)
BLACK	deteriorated			

Table 10-1. Need for Physical Intervention

Total Percentage of 4 + 16 = Total Need for Physical Intervention (PI)

Intervention Type	Entire Area number of properties (%)	Owner-Occupied Properties	Rental Properties
1	2709 (77.7%)	2345 (81.8%)	364 (58.5%)
4	583 (16.7%)	411 (14.3%)	172 (27.7%)
16	195 (5.6%)	109 (3.8%)	86 (13.8%)
Total Need for PI	22.4%	18.1%	41.5%

In addition, a block quality index (BQI) was calculated for each facing block, using the above weights (1,4 & 16). These could possibly be used when determining intervention strategies and will be discussed in the next section, ‘Alternative Strategies’. (See Map 3 of 3)¹²

- *Table 10-1* shows that there are 195 properties in need of redevelopment and 583 properties in need of moderate rehabilitation. There is also see a much higher percentage of rental properties are in need of physical intervention: 41.5% compared to 18.1% of the owner-occupied properties.¹³
- While Dayton’s Bluff was at one time considered a premier neighborhood to live, today the median housing value in Dayton’s Bluff is 25% less than the St. Paul median housing value. Dayton’s Bluff = \$69,000; St. Paul = \$92,000. (page 9)
- 50% of the housing is over 100 years old, with 90% of the housing being over 70 years old. The age of the housing stock coupled with lower-income families creates a situation where the increased need for physical improvements is financially not able to be addressed by the homeowners. In addition, there is a positive correlation between the age of the structure and the condition: the older the house, the worse the condition. (page 9)
- Rental properties are more likely to be in worse condition, have lower market values and be older structures than owner-occupied properties. (page 10)
- Rental properties are also more likely to have an increased number of police calls per unit and more code violations than owner-occupied properties. This lends support to the argument that home-ownership is a more stable form of tenure and adds to the overall quality of the neighborhood, while renters tend to destabilize neighborhoods. (page 13)
- PAR units have a significantly higher rental occupancy rate at 56.3% than the overall rental occupancy rate of Dayton’s Bluff at 37.5%. By property type, 33.2% of PAR properties are rentals. This is almost twice the overall neighborhood rental property rate of 17.8%. (page 12)

¹² Blocks with an average BQI between 1 and 2 are classified as in good condition; between 2.01 and 6 as in moderate condition; between 6.01 and 12 as in fair condition; 12 and above as in poor condition.

¹³ If those properties that are classified as orange – in need of minor repair – are included in the calculation of physical intervention, then the percentage increases from 22.4% to 60% of the entire housing stock in Dayton’s Bluff is in need of repair/rehab/redevelopment. (page 9)

- In the phone survey, no one self-evaluated their property in poor condition. This is indicative of the subjective nature of evaluating housing quality. While neighbors may consider a particular property in poor condition, the owner of that property may perceive his/her property as in good condition. If the owner's perception is the house is in good condition, then they will not see any need for improvements. (page 13)
- Almost 30% of those property owners contacted revealed that their properties were in contract for deed status. As contract for deeds are often the result of a problem property or of a buyer who is not financially secure, this type of transaction is of particular concern. (page 13)
- Almost 60% of those asked were not aware of DBNHS and the services it provides. (page 13)
- 67% of the owner-occupied property owners requested additional information on DBNHS and its services, while none of the rental property owners requested additional information. The fact that none of the rental property owners requested additional information could be the result of the tight housing market and that there is no incentive for these owners to invest in their rental properties. Once the market returns to a healthy vacancy rate, there could be some demand among rental property owners for the services of DBNHS. (page 13)
- The vacancy rate of Dayton's Bluff is $\approx 1\%$. This low of a vacancy rate creates a market where there is little incentive for rental property owners to improve their properties. (page 14)
- DBNHS advertises to the level of need that they are capable of supporting, given their annual budget.
- Close to 90% of the properties that DBNHS invested in were identified in 1996 as being in good condition or in need of minor repair, while only 10% were in the problem/at-risk (PAR) category. (page 17)
- The City of St. Paul is in the process of requiring single-family and duplex rental properties to be registered with the city under a program similar to the Certificate of Occupancy.
- Eminent domain is not a likely redevelopment option for Dayton's Bluff.

11. Alternative Strategies

A. Continued Partnering with District 4 Community Council

The residents of Dayton's Bluff should continue to be utilized as a valuable resource. While the P.A.C.T. problem property initiative may not be a comprehensive and broad solution to problem properties, it is certainly a way to educate residents of actions they can take and to encourage resident participation and involvement. Another program to consider is the *Citizen Inspector* program. The Windom Park neighborhood in Minneapolis just started such a program. Citizen Inspectors are residents of the neighborhood who volunteer to inspect a selected area on a monthly basis. They are trained by the Minneapolis Inspections Division to follow established guidelines. If a

property is found to be in violation of any codes, then the property owner is sent a letter detailing the violation and notifying them of when their property will be inspected again. If upon the second inspection, the violation remains then the Inspections Division is notified for further action. Dayton's Bluff could establish a similar program in partnership with St. Paul Code Enforcement.

B. Housing Reference Library

Establish a walk-in reference library similar to the one established by the Powderhorn Park Neighborhood Association (PPNA). The PPNA library is staffed by resident volunteers, includes free access to the internet and holds information on virtually any housing topic, from home maintenance information to a complete guide to the various home improvement programs. In addition, there is a database for resident-access which includes local information on housing conditions and property values, foreclosures, contractors, tenant rights and block clubs.

C. Establish a Dayton's Bluff Home Improvement Month

This would provide residents information on low-cost improvement resources to support routine maintenance. The Bancroft Neighborhood hosts a similar event each year, which includes:

- Cooperative purchasing of home improvement supplies and contracting services;
- Membership and/or subsidy in existing tool lending programs;
- Reduced rate agreements with local vendors for rental and purchase of equipment;
- Coordinating shared rental costs among the residents.

D. Sweat Equity Program

In conjunction with the above event and with the help of the District 4 Community Council, resident volunteers could be recruited to perform light exterior maintenance on properties that otherwise would not be maintained for lack of money, such as houses owned by senior citizens. Work could include exterior painting, basic repairs, yard work or any other work deemed appropriate and within the expertise of the volunteers. Supplies for such an activity could be provided by local vendors at a reduced cost. The owners of properties could apply for assistance and be selected based on need or through a lottery system. The number of houses selected would depend on the number of resident volunteers recruited for such a project. This type of program could be extended to loan and/or grant approval requirements. Those applicants able to perform such work, could have the option to spend a determined number of hours either working on their own home or another home in their area. This would result in a reduced loan interest rate or part of the money received could be forgiven. This is a modification of Habitat for Humanity's program and that organization could be used as a contact for more information on how their sweat equity program operates.

E. First-Option-to-Buy

Those 195 properties that are beyond rehabilitation need to be kept from further transactions in the private market. DBNHS could work with the owners of these properties to ensure that they are given the first option to purchase the properties at fair market value. This would then give DBNHS the opportunity to demolish these structures and replace them with new ones. This could idea be taken to the City as a potential

policy initiative that would require the owners of those properties evaluated as deteriorated to give the local CDC the first option to buy.

F. Transitional Shelter

In order to rehab rental properties, the current tenants must be given an alternative place to live. This is an even a greater concern in a tight housing market. Partner with the City and a non-profit management company to build a small transitional shelter that would serve as a home for those persons whose houses were being rehabilitated. As rental properties are aggressively targeted, this shelter could serve residents of Dayton's Bluff on a rotating basis.

G. Market Services to PAR properties

As only 10% of the money allocated in 1998 by DBNHS was to PAR houses and $\approx 70\%$ of those contacted requested additional information, DBNHS could aggressively target these houses. This could be a continued effort that would serve to educate owners on the programs available and could possibly result in a greater number of these property owners to take advantage of the rehab programs available through DBNHS. Part of this effort could involve partnering with local real estate agents to give their clients information on DBNHS at the time of every sale.

H. Excess Demand

Aggressive marketing as described above could result in excess demand for services. This could be dealt with by creating a competitive application process. There could be 2-3 times a year when applications for loans/grants would be accepted. These applications would be reviewed against a defined set of criteria and those applications that met most of the criteria would be awarded funds.

I. Allocate Money Based on a Defined Area of Need

The *block quality index* (BQI) could be used to establish 'Zones of Need'. There could be 3-4 zones delineated and money could be allocated on a yearly basis according to need. Those zones with higher BQIs would have a higher amount of money set aside for distribution. This type of distribution of money also tends to suggest the type of competitive application process described above. The Windom Park neighborhood devised a similar system of allocating money based on area need.

J. Non-Matching, Low-Income Grants

In addition to matching grants, allocate a pre-determined amount of money for *non-matching* low-income grants for housing repair. The Powderhorn Park Neighborhood Association successfully implemented a similar program. The non-matching grants ranged from \$1,500 to \$4,000 and are designed to assist that segment of the neighborhood who is not able to take advantage of the *matching* grant programs.

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14. Appendices

Appendix A-1. “1996 Dayton’s Bluff Exteriors Condition Survey”, Dayton’s Bluff Task Force
Taken directly from the report:

The information in this report is derived from a survey of exterior housing condition conducted in the month of October, 1996. The survey included 100% of housing units in the Dayton’s Bluff neighborhood.

The surveyors [resident volunteers from the neighborhood] were provided maps of subdivisions in the Dayton’s Bluff area, generally walking through the neighborhood on the public sidewalk. The housing structures were rated in five different categories of conditions based the [sic] written definitions below:

Good Shape (yellow) the house is basically well maintained and structurally sound. It should have a good exterior paint job with siding, trim, and windows in good repair. The gutters are in good shape. It has a structurally sound foundation and porch structure, straight roof lines and sound shingles. The yard is clean and well maintained.

Minor Repairs (orange) indicates sound structure but in need of deferred surface maintenance and show signs of aging such as fading paint, warped siding, and/or deteriorating roof shingles. The lot is not as well maintained and the pavement or any accessory buildings may need repairs.

Moderate Rehab (red) are structures beginning to show signs of deterioration. Sufficient surface wear is evident to necessitate repairs to minor structural elements such as porches, steps, window or roof. Surface pavements may need to be replaced.

Major Rehab (blue) significant surface wear is noticeable of structures. The structure itself is slightly out of plumb with cracks, holes or breaks evident in walls, foundation and roof. Paint is blistered and windows and steps etc. may need to be replaced.

Deteriorated (black) structures are unsound and totally substandard. The foundation may have settled unevenly and/or there are substantial defects in the roof and bearing elements. The structure imperils the health and safety of its occupants. Basic requirements of various codes are obviously being violated.

Appendix A-2. Occupancy Status & Average Condition of Residential Property by Sub-Area (SA)

SA	property type	# of properties	total # of units per property type	avg # of units per property	occupancy status of units	rates of occupancy	average weighted condition
1	O-O	67	83	1.24	67	41.6%	3.96
	Rental	33	78	2.34	94	58.4%	5.45
	Total	100	161	1.61	161	100.0%	4.45
2	O-O	503	551	1.10	503	61.3%	2.20
	Rental	135	270	2.00	318	38.7%	2.93
	Total	638	821	1.29	821	100.0%	2.36
3	O-O	635	656	1.03	635	81.8%	1.19
	Rental	50	120	2.40	141	18.2%	2.20
	Total	685	776	1.13	776	100.0%	1.27
4	O-O	496	516	1.04	496	72.2%	1.44
	Rental	55	171	3.11	191	27.8%	1.76
	Total	551	687	1.25	687	100.0%	1.47
5	O-O	302	365	1.21	302	41.3%	2.89
	Rental	126	367	2.91	430	58.7%	5.67
	Total	428	732	1.71	732	100.0%	3.71
6	O-O	862	956	1.11	862	61.3%	2.34
	Rental	223	450	2.02	544	38.7%	4.17
	Total	1085	1406	1.30	1406	100.0%	2.71

Appendix A-3. Independent Samples Test by Occupancy Status – all houses
(rental property = 0; owner-occupied property = 1)

	t-value	df	Sig.
Property Condition	-14.731	3485	.000
MV per unit	33.051	3466	.000
Year Built	8.512	2137	.000

Appendix A-4. Occupancy Status: PAR Properties by Condition

property type		# of properties	total # of units per property type	avg # of units per property	# of units in occupancy status	rates of occupancy
Owner-Occupied	RED	411	465	1.13	411	49.2%
	BLUE	97	116	1.20	97	30.6%
	BLACK	12	17	1.42	12	30.8%
Rental	RED	172	370	2.15	424	50.8%
	BLUE	77	201	2.61	220	69.4%
	BLACK	9	22	2.44	27	69.2%
Totals		778	1191	1.53	1191	n/a

Appendix A-5. Independent Samples Test by Occupancy Status – PAR sample
(rental property = 0; owner-occupied property = 1)

	t-value	df	Sig.
# police calls/unit	-3.465	98	.001
# tax delinquencies	-1.426	98	.157
# water shut-offs	.468	98	.641
# of code violations	-1.913	98	.059

Appendix A-6. Owner Survey: owner-occupied property

Owner's Name: _____

Property Address: _____

Home Address: **should be same as above**

Home Phone: _____

Verify Information

Property Address? (check to see that it is the same as above)

Rental Property? yes or **no**

Number of Units? 1 2 3 4 5 6 7 8+

Owner-Occupied Questions

How long have you owned the property? _____

What kind of condition would you say the property is in? good average poor

Percent of income spent on mortgage? _____

Age? 15-25 26-35 36-45 46-55 56+

How is the property financed? _____

Are you aware of DBNHS and the services we provide? yes or no

Would you like information on the various rehab/maintenance programs available to homeowners? yes
or no

Additional Comments or Questions, if any:

Appendix A-7. Owner Survey: rental property

Owner's Name: _____

Property Address: _____

Home Address: _____

Home Phone: _____

Verify Information

Property Address? (check to see that it is the same as above)

Rental Property? **yes** or no

Number of Units? 1 2 3 4 5 6 7 8+

Rental Property Questions

How long have you owned the property? _____

What kind of condition would you say the property is in? good average poor

Has the property been a rental property for the entire time you have owned it? yes or no

 If no, how long has it been a rental property? _____

How long have the current residents lived there? _____

How much is the monthly rent? _____

Has the property ever been vacant for a month or more? yes or no

How is the property financed? _____

Are you interested in selling the property? yes or no

Do you own any other properties in Dayton's Bluff neighborhood? yes or no

 If yes, how many? _____

Are you aware of DBNHS and the services we provide? yes or no

Are you aware that the City of St. Paul has a housing rehabilitation program available for rental properties? yes or no

 If no, would you like information sent to you? yes or no

The City of St. Paul also sponsors a landlord training workshop, would you like this information? yes or no

If such a program existed for rental properties, would you take advantage of a grant or loan program offered through DBNHS to rehab your property? yes or no

Additional Comments or Questions, if any: